

Charter Township of Brandon Oakland County, Michigan

Financial Report
with Supplemental Information
December 31, 2007

Charter Township of Brandon

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Charter Township of Brandon

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Independent Auditor's Report

To the Township Board
Charter Township of Brandon
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Charter Township of Brandon as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Brandon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Charter Township of Brandon as of December 31, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Township Board
Charter Township of Brandon
Oakland County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charter Township of Brandon's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

June 17, 2008

Charter Township of Brandon

Management's Discussion and Analysis

Our discussion and analysis of Charter Township of Brandon's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the Township's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Governmental Activities

The following table shows, in a condensed format, the current year's net assets and changes in net assets, compared to the prior two years:

	2005	2006	2007	Change from Prior Year	
				in Dollars	as %
Cash and investments	\$ 2,469,768	\$ 2,897,769	\$ 1,733,107	\$ (1,164,662)	-40.2%
Current receivables	2,188,267	1,559,716	2,691,970	1,132,254	72.6%
Lease receivable	3,190,000	3,010,000	2,820,000	(190,000)	-6.3%
Capital assets	3,006,453	3,072,583	3,312,545	239,962	7.8%
Total assets	10,854,488	10,540,068	10,557,622	17,554	0.2%
Current liabilities	697,597	696,845	613,315	(83,530)	-12.0%
Deferred revenue	2,233,946	2,383,139	2,655,550	272,411	11.4%
Long-term liabilities	3,360,071	3,041,705	2,721,451	(320,254)	-10.5%
Total liabilities	6,291,614	6,121,689	5,990,316	(131,373)	-2.1%
Net assets:					
Invested in capital assets, net of related debt	2,549,728	2,736,554	3,090,840	354,286	12.9%
Restricted	229,207	73,884	89,668	15,784	21.4%
Unrestricted	1,783,939	1,607,941	1,386,798	(221,143)	-13.8%
Total net assets	<u>\$ 4,562,874</u>	<u>\$ 4,418,379</u>	<u>\$ 4,567,306</u>	<u>\$ 148,927</u>	3.4%

Charter Township of Brandon

Management's Discussion and Analysis (Continued)

	2005	2006	2007	Change from Prior Year	
				in Dollars	as %
Revenue					
Program revenue:					
Charges for services	\$ 517,727	\$ 417,012	\$ 329,076	\$ (87,936)	-21.1%
Operating grants	125,687	143,773	129,448	(14,325)	-10.0%
General revenue:					
Property taxes	1,929,860	2,133,708	2,538,136	404,428	19.0%
State-shared revenue	985,527	974,905	982,264	7,359	0.8%
Investment earnings	160,862	214,052	220,712	6,660	3.1%
Other revenue	53,850	21,474	62,154	40,680	189.4%
Special item - Gain on sale of land	487,552	-	-	-	0.0%
Total revenue	4,261,065	3,904,924	4,261,790	356,866	9.1%
Program Expenses					
General government	1,594,465	1,183,767	1,136,331	(47,436)	-4.0%
Police	1,658,898	1,698,798	1,717,523	18,725	1.1%
Building inspections	184,232	154,869	152,155	(2,714)	-1.8%
Public works	265,132	248,022	298,328	50,306	20.3%
Planning and zoning	34,000	37,822	35,263	(2,559)	-6.8%
CDBG program	17,895	19,932	43,741	23,809	119.5%
Recreation programs	393,026	400,989	439,564	38,575	9.6%
Senior services and van	171,845	146,587	146,663	76	0.1%
Interest on long-term debt	158,701	158,633	143,295	(15,338)	-9.7%
Total expenses	4,478,194	4,049,419	4,112,863	63,444	1.6%
Change in Net Assets	\$ (217,129)	\$ (144,495)	\$ 148,927	\$ 293,422	-203.1%

The governmental net assets increased 3.4 percent from a year ago - from \$4.4 million to \$4.5 million. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) totaled \$1.4 million, which represents 35 percent of annual expenses. This total also represents a decrease of \$221,143 or 13.8 percent.

Revenues increased \$356,866 for 2007. The Township's property tax base remains strong, and property tax revenue increased 19%, driven by taxable value growth. Licenses and permit revenues are down which is similar to what other municipalities in Michigan are experiencing.

Expenses increased by \$63,444, which represents 1.6 percent of total expenses.

Charter Township of Brandon

Management's Discussion and Analysis (Continued)

The Township's Funds

Our analysis of the Township's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for the year ended December 31, 2007, include the General Fund, the Police Fund, the Recreation Fund, the Library Debt Service Fund, and the Designated Fund.

The General Fund pays for essentially all of the Township's governmental services that are not funded by a specific restricted source (such as police, fire, recreation, or special assessment projects). The current year decrease in the General Fund balance is the result of a decrease in revenue related to building permits and an increase in expenses.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant changes were to capital outlay and transfers in and out. Overall, Township departments were \$171,000 under budget (or about 7 percent), before considering the interfund transfers related to the new Designated Fund. At the end of the year, the General Fund's fund balance was equivalent to 17 percent of annual General Fund expenditures. The minimum is 25%.

Capital Asset and Debt Administration

At the end of 2007, the Township had approximately \$3 million invested in capital assets, primarily land, buildings, furnishings, and public sidewalks. In addition, the Township has invested significantly in roads within the Township. These assets are the property of the Oakland County Road Commission (along with the responsibility to maintain them).

Contacting the Township's Management

This financial report is intended to provide our citizens with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

Charter Township of Brandon

Statement of Net Assets December 31, 2007

	Primary Government - Governmental Activities	Component Units
Assets		
Cash and investments (Note 3)	\$ 1,733,107	\$ 2,371,087
Property taxes receivable	2,294,496	2,821,035
Due from other governments	334,803	-
Other receivable	18,378	-
Prepaid expenses	44,293	60,247
Lease receivable (Note 13):		
Due within one year	200,000	-
Due in more than one year	2,620,000	-
Capital assets - Net (Note 5):		
Assets subject to depreciation	1,575,965	6,900,012
Assets not subject to depreciation	1,736,580	2,028,202
Total assets	10,557,622	14,180,583
Liabilities		
Accounts payable	225,048	48,344
Accrued and other liabilities	62,301	62,691
Deferred revenue (Note 4)	2,655,550	3,078,060
Noncurrent liabilities (Note 7):		
Due within one year	325,966	434,419
Due in more than one year	2,721,451	4,036,444
Total liabilities	5,990,316	7,659,958
Net Assets		
Invested in capital assets - Net of related debt	3,090,840	4,482,730
Restricted for:		
Metro Authority	36,378	-
Cemetery operations	2,614	-
Debt service	18,288	-
Public works	32,388	-
Unrestricted	1,386,798	2,037,895
Total net assets	\$ 4,567,306	\$ 6,520,625

Charter Township of Brandon

Statement of Activities Year Ended December 31, 2007

	Program Revenues			
		Charges for	Operating Grants and Contributions	Net (Expense) Revenue
Functions/Programs	Expenses	Services		
Primary government -				
Governmental activities:				
General government	\$ 1,136,331	\$ 35,191	\$ 21,742	\$ (1,079,398)
Public safety:				
Police	1,717,523	21,670	3,801	(1,692,052)
Building inspections and related	152,155	42,407	-	(109,748)
Public works:				
Streets	225,347	-	40,299	(185,048)
Street lighting	16,817	-	-	(16,817)
Stormwater drainage	3,397	-	-	(3,397)
Septic system maintenance	5,610	6,452	-	842
Lake weed cutting	38,855	3,017	-	(35,838)
Cemetery	8,302	1,300	-	(7,002)
Health and welfare				
Senior citizen services	91,656	-	-	(91,656)
Senior van	55,007	-	-	(55,007)
Community and economic development:				
Planning and zoning	35,263	3,880	-	(31,383)
CDBG program	43,741	-	22,606	(21,135)
Recreation programs	439,564	215,159	41,000	(183,405)
Interest on long-term debt	143,295	-	-	(143,295)
Total	<u>\$ 4,112,863</u>	<u>\$ 329,076</u>	<u>\$ 129,448</u>	<u>\$ (3,654,339)</u>
Component units:				
Fire Authority	\$ 2,236,852	\$ 209,061	\$ 12,276	\$ (2,015,515)
Library	1,357,754	28,357	39,466	(1,289,931)
Total component units	<u>\$ 3,594,606</u>	<u>\$ 237,418</u>	<u>\$ 51,742</u>	<u>\$ (3,305,446)</u>

Charter Township of Brandon

Statement of Activities (Continued) Year Ended December 31, 2007

	Net (Expense) Revenue and Changes in Net Assets	
	Primary Government - Governmental Activities	Component Units
Net (Expense) Revenue	\$ (3,654,339)	\$ (3,305,446)
General Revenues		
Property taxes	2,538,136	3,586,672
State-shared revenues	982,264	-
Investment earnings	220,712	167,925
Cellular tower fees	57,154	-
Loss on sale of assets	-	27,806
Miscellaneous	5,000	33,624
Total general revenues	3,803,266	3,816,027
Change in Net Assets	148,927	510,581
Net Assets - Beginning of year	4,418,379	6,010,044
Net Assets - End of year	<u>\$ 4,567,306</u>	<u>\$ 6,520,625</u>

Charter Township of Brandon

Governmental Funds Balance Sheet December 31, 2007

	General	Police	Recreation Program	Library Debt Service	Designated Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments (Note 3)	\$ 336,332	\$ 588,878	\$ 29,952	\$ 52,742	\$ 687,700	\$ 37,502	\$ 1,733,106
Receivables - Net:							
Property taxes	483,051	1,569,917	-	241,528	-	-	2,294,496
Due from other governments	164,789	-	-	-	-	-	164,789
Other receivables	-	-	-	-	18,378	-	18,378
Prepaid expenses	40,148	1,720	2,225	-	-	200	44,293
Total assets	<u>\$ 1,024,320</u>	<u>\$ 2,160,515</u>	<u>\$ 32,177</u>	<u>\$ 294,270</u>	<u>\$ 706,078</u>	<u>\$ 37,702</u>	<u>\$ 4,255,062</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 49,398	\$ 171,019	\$ 2,130	\$ -	\$ -	\$ 2,500	\$ 225,047
Accrued and other liabilities	36,148	1,279	-	-	-	-	37,427
Deferred revenue (Note 4)	551,964	1,793,882	33,722	275,982	-	-	2,655,550
Total liabilities	637,510	1,966,180	35,852	275,982	-	2,500	2,918,024
Fund Balances							
Reserved for:							
Prepaid expenses	40,148	1,720	2,225	-	-	200	44,293
Unreserved, reported in:							
General Fund:							
Undesignated	346,662	-	-	-	-	-	346,662
Special Revenue Funds:							
Designated (Note 12)	-	-	-	-	706,078	-	706,078
Undesignated (deficit)	-	192,615	(5,900)	-	-	35,002	221,717
Debt Service Funds -							
Undesignated	-	-	-	18,288	-	-	18,288
Total fund balances	386,810	194,335	(3,675)	18,288	706,078	35,202	1,337,038
Total liabilities and fund balances	<u>\$ 1,024,320</u>	<u>\$ 2,160,515</u>	<u>\$ 32,177</u>	<u>\$ 294,270</u>	<u>\$ 706,078</u>	<u>\$ 37,702</u>	<u>\$ 4,255,062</u>

Charter Township of Brandon

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets Year Ended December 31, 2007

Fund Balances Reported in Governmental Funds \$ 1,337,038

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and are not reported in the funds 3,312,545

Revenue-sharing due from State not received within 60 days of year end is
not available currently and is not recorded in the funds 170,014

Lease receivable is not a receivable in the current period and is not
reported in the funds 2,820,000

Interest amounts on long-term liabilities are not payable until due in the
funds (24,874)

Long-term liabilities are not due and payable in the current period and are
not reported in the funds (3,047,417)

Net Assets of Governmental Activities \$ 4,567,306

Charter Township of Brandon

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2007

	General	Police	Recreation Program	Library Debt Service	Designated Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue							
Property taxes	\$ 530,952	\$ 1,854,273	\$ -	\$ 317,768	\$ -	\$ -	\$ 2,702,993
Licenses and permits	43,912	3,801	-	-	-	-	47,713
Federal grants	22,606	-	-	-	-	-	22,606
State-shared revenues and grants	990,684	-	15,000	-	11,158	-	1,016,842
Charges for services	4,186	-	211,130	-	-	1,300	216,616
Fines and forfeitures	-	21,670	-	-	-	-	21,670
Interest and rentals	120,356	40,234	6,110	4,647	52,490	904	224,741
Other	43,081	21,925	15,000	-	73,154	43,200	196,360
Total revenue	1,755,777	1,941,903	247,240	322,415	136,802	45,404	4,449,541
Expenditures							
Current:							
General government	1,184,157	-	-	-	-	-	1,184,157
Public safety:							
Police	-	1,732,446	-	-	-	-	1,732,446
Building inspections and related	152,813	-	-	-	-	-	152,813
Public works:							
Streets	174,570	-	-	-	-	-	174,570
Street lighting	16,817	-	-	-	-	-	16,817
Stormwater drainage	3,397	-	-	-	-	-	3,397
Septic system maintenance	-	-	-	-	-	5,610	5,610
Lake weed cutting	-	-	-	-	-	38,855	38,855
Cemetery	-	-	-	-	-	8,302	8,302
Health and welfare:							
Senior citizen services	80,778	-	-	-	-	-	80,778
Senior van	55,007	-	-	-	-	-	55,007
Community and economic development:							
Planning and zoning	35,263	-	-	-	-	-	35,263
CDBG program	43,741	-	-	-	-	-	43,741
Recreation programs	122,422	-	282,665	-	-	-	405,087
Capital outlay	303,805	-	-	-	-	-	303,805
Debt service	129,336	-	-	318,283	-	-	447,619
Total expenditures	2,302,106	1,732,446	282,665	318,283	-	52,767	4,688,267
Excess of Revenue Over (Under)							
Expenditures	(546,329)	209,457	(35,425)	4,132	136,802	(7,363)	(238,726)
Other Financing Sources (uses)							
Transfers in (Note 6)	445,646	-	48,628	-	30,636	4,242	529,152
Transfers out (Note 6)	-	-	(30,636)	-	(475,226)	(23,290)	(529,152)
Total other financing sources (uses)	445,646	-	17,992	-	(444,590)	(19,048)	-
Net Change in Fund Balances	(100,683)	209,457	(17,433)	4,132	(307,788)	(26,411)	(238,726)
Fund Balances (deficit) - Beginning of year	487,493	(15,122)	13,758	14,156	1,013,866	61,613	1,575,764
Fund Balances (deficit) - End of year	<u>\$ 386,810</u>	<u>\$ 194,335</u>	<u>\$ (3,675)</u>	<u>\$ 18,288</u>	<u>\$ 706,078</u>	<u>\$ 35,202</u>	<u>\$ 1,337,038</u>

Charter Township of Brandon

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ (238,726)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	394,909
Depreciation	(154,947)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(4,590)
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The statement of activities column does not recognize the property taxes collected to support the lease receivable	(190,000)
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Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	13,322
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Repayment of bond principal and tax appeals is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	329,467
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Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(508)
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Change in Net Assets of Governmental Activities	<u>\$ 148,927</u>
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Charter Township of Brandon

Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2007

	Employee Benefit Trust Fund (Retiree Health Care)		Agency Funds
Assets			
Cash and cash equivalents:			
Bank deposits	\$	10,637	\$ 697,286
Certificates of Deposit less than 90 days		-	2,900,000
Receivables		<u>16,991</u>	<u>540</u>
Total assets		<u>27,628</u>	<u>\$ 3,597,826</u>
Liabilities			
Due to other governmental units		-	\$ 3,547,948
Accounts payable		13,567	-
Accrued liabilities		<u>-</u>	<u>49,878</u>
Total liabilities		<u>13,567</u>	<u>\$ 3,597,826</u>
Net Assets - Held in trust for other employee benefits	\$	<u>14,061</u>	-

Charter Township of Brandon

Fiduciary Funds Statement of Change in Net Assets Year Ended December 31, 2007

	Employee Benefit Trust Fund (Retiree Health Care)
Additions	
Investment income - Interest and dividends	\$ 3,128
Contributions - Employer	<u>62,548</u>
Total additions	65,676
Deductions	
Transfer to MERS	
Total deductions	<u>194,002</u>
Net Decrease in Net Assets Held in Trust	(128,326)
Net Assets Held in Trust for Other Employee Benefits	
Beginning of year	<u>142,387</u>
End of year	<u><u>\$ 14,061</u></u>

Charter Township of Brandon

Component Units Statement of Net Assets December 31, 2007

	Fire Authority	Library	Total Component Units
Assets			
Cash and investments (Note 3)	\$ 2,231,815	\$ 139,272	\$ 2,371,087
Property taxes receivable	1,840,791	980,244	2,821,035
Prepaid expenses	56,025	4,222	60,247
Capital assets - Net (Note 5):			
Assets subject to depreciation	3,183,528	3,716,484	6,900,012
Assets not subject to depreciation	<u>1,857,202</u>	<u>171,000</u>	<u>2,028,202</u>
Total assets	9,169,361	5,011,222	14,180,583
Liabilities			
Accounts payable	33,352	14,992	48,344
Accrued and other liabilities	41,818	20,873	62,691
Deferred revenue (Note 4)	2,097,816	980,244	3,078,060
Noncurrent liabilities (Note 7):			
Due within one year	226,400	208,019	434,419
Due in more than one year	<u>1,405,935</u>	<u>2,630,509</u>	<u>4,036,444</u>
Total liabilities	<u>3,805,321</u>	<u>3,854,637</u>	<u>7,659,958</u>
Net Assets			
Invested in capital assets - Net of related debt	3,415,246	1,067,484	4,482,730
Unrestricted	<u>1,948,794</u>	<u>89,101</u>	<u>2,037,895</u>
Total net assets	<u>\$ 5,364,040</u>	<u>\$ 1,156,585</u>	<u>\$ 6,520,625</u>

Charter Township of Brandon

Component Units Statement of Activities Year Ended December 31, 2007

	Fire Authority	Library	Total Component Units
Program expenses	\$ 2,236,852	\$ 1,357,754	\$ 3,594,606
Program revenues:			
Charges for services	209,061	28,357	237,418
Operating grants	12,276	39,466	51,742
Total program revenue	221,337	67,823	289,160
Net program revenue (expense)	(2,015,515)	(1,289,931)	(3,305,446)
General revenues:			
Property taxes	2,317,385	1,269,287	3,586,672
Investment earnings	145,689	22,236	167,925
Loss on sale of assets	27,806	-	27,806
Miscellaneous	4,515	29,109	33,624
Total general revenue	2,495,395	1,320,632	3,816,027
Change in Net Assets	479,880	30,701	510,581
Net Assets - Beginning of year	4,884,160	1,125,884	6,010,044
Net Assets - End of year	<u>\$ 5,364,040</u>	<u>\$ 1,156,585</u>	<u>\$ 6,520,625</u>

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Charter Township of Brandon (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units (the Brandon Ortonville Joint Fire Authority, the "Fire Authority", and the "Brandon Township Public Library"), entities for which the Township is considered to be financially accountable.

The Fire Authority is governed by a four-member advisory board. The Fire Authority provides fire protection for the Township and the Village of Ortonville. Two of the advisory members are selected by the Township. The Township controls the property tax levy that funds the Fire Authority and approves the annual budget along with the Village of Ortonville; therefore, the Fire Authority is fiscally dependent on the Township. Complete financial statements of the Fire Authority can be obtained at its administrative offices at 53 South Street, Ortonville, Michigan.

The Public Library is governed by an elected six-member board. The Township controls the property tax levy that funds the public library, therefore, the library is fiscally dependent on the Township. Complete financial statements of the Public Library can be obtained at its administrative offices at 304 South Street, Ortonville, Michigan.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, any special assessments and federal grant reimbursements that will be collected after the period of availability are recorded as "deferred revenue."

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Fund accounts for a special tax levy that is used to finance the Township's service contract with Oakland County to provide sheriff deputies patrolling within the Township.

The Recreation Program Fund accounts for recreation and culture activities within the Township which are financed through various user charges and miscellaneous local sources.

The Library Debt Service Fund is used to account for the annual payment of principal, interest, and other expenses.

The Designated Fund is used to account for funds designated by the Township Board.

Additionally, the Township reports the following fiduciary activities:

The Employee Benefit Trust Fund accounts for the activities related to post employment benefits, which accumulates resources for post employment health care costs for qualified employees.

The Agency Funds account for assets held by the Township in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Agency Funds account for the following: cash and investments of the Library, which are managed by the Township Treasurer; resources provided by the private cable provider that are passed along to the cable commission; collection of property taxes by the treasurer and the subsequent remittance to the local taxing units; funds set aside to pay payroll and tax withholdings; funds held on behalf of the Upper Bushman Association; and performance deposits held in escrow until return to the developers or builders.

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When an expense is incurred for which both restricted and unrestricted net assets are available the Township's policy is to first apply restricted resources.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2006 tax is levied and collectible on December 1, 2006, and is recognized as revenue in the year ended December 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Township totaled approximately \$522 million of real property and \$12.9 million of personal property (a portion of which is abated and a portion of which is captured by the TIFA and DDA). The Township's tax levy for the year ended December 31, 2007 was as follows:

	<u>Millage Rate</u>	<u>Levy</u>
Operating	1.00	\$ 535,000
Police	3.50	1,871,000
Fire (real property only)	4.39	2,290,000
Library	1.77	925,000
Library debt service	<u>0.60</u>	<u>321,000</u>
Total	<u>11.26</u>	<u>\$ 5,942,000</u>

These amounts are recognized in the respective General, Special Revenue, and Debt Service Fund financial statements as tax revenue, net of administrative fees, as well as the component unit's (Fire Authority and Public Library) financial statements.

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

Community Development Block Grant revenue

The Township incurred Community Development Block Grant revenue of \$22,606 and had federal expenditures of \$19,932.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government wide and fund financial statements.

Capital Assets - Capital assets, which include property, equipment, and other assets, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	40 to 50 years
Land improvements	20 to 30 years
Vehicles	3 to 20 years
Office furnishings	5 to 7 years
Other tools and equipment	3 to 7 years
Sidewalks	15 to 20 years
Participation in county roads	15 to 20 years

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

Employee Compensated Absences - It is the Township's policy to permit employees to accumulate earned but unused vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay any amounts when employees separate from service with the Township. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall is as follows:

Shortfall at January 1, 2007		\$ (354,317)
Current year building permit revenue		41,057
Related expenses:		
Direct costs	\$ 148,997	
Estimated indirect costs	<u>Not estimated</u>	
Total construction code expenses		<u>148,997</u>
Cumulative shortfall at December 31, 2007		<u><u>\$ (462,257)</u></u>

Fund Deficits- The recreation fund had a deficit of \$3,675.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated 15 banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$4,407,240 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Component Units:

Of the Township's component units, the Fire Authority and Library had deposits of \$1,509,253 and \$139,344, respectively, that were uninsured and uncollateralized.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities of the Township (other than the U. S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Mutual funds	\$173,903	AAA	S&P
Mutual funds	\$397,862	AAA	Fitch
Oakland County local government investment pool	\$726,434	N/A	N/A

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 3 - Deposits and Investments (Continued)

Credit Risk (Continued)

Component unit:

As of year end, the credit quality ratings of debt securities of the Township's component unit (other than the U. S. government) is as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Oakland County local government investment pool	\$724,434	N/A	N/A

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Governmental Funds/Activities</u>		
	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Property taxes	\$ -	\$ 2,621,828	\$ 2,621,828
Recreation program fees	<u>33,722</u>	<u>-</u>	<u>33,722</u>
Total	<u>\$ 33,722</u>	<u>\$ 2,621,828</u>	<u>\$ 2,655,550</u>

The component units deferred revenue represents property taxes that are not yet available as of December 31, 2007.

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 5 - Capital Assets

The Township's capital asset activity was as follows:

	Balance January 1, 2007	Additions	Disposals and Adjustments	Balance December 31, 2007
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 1,227,369	\$ -	\$ -	\$ 1,227,369
Construction in progress	191,802	390,009	72,600	509,211
Subtotal	1,419,171	390,009	72,600	1,736,580
Capital assets being depreciated:				
Buildings and building improvements	1,024,765	1,910	-	1,026,675
Land improvements	30,125	-	-	30,125
Vehicles	66,513	-	-	66,513
Office furnishings	202,208	2,990	2,392	202,806
Other tools and equipment	177,027	72,600	-	249,627
Sidewalks	250,000	-	-	250,000
Participation in county roads	502,509	-	-	502,509
Subtotal	2,253,147	77,500	2,392	2,328,255
Accumulated depreciation:				
Buildings and building improvements	273,878	42,665	-	316,543
Land improvements	6,906	1,423	-	8,329
Vehicles	41,818	5,979	-	47,797
Office furnishings	99,542	25,407	2,392	122,557
Other tools and equipment	26,130	28,696	-	54,826
Sidewalks	31,249	8,333	-	39,582
Participation in county roads	120,212	42,444	-	162,656
Subtotal	599,735	154,947	2,392	752,290
Net capital assets being depreciated	1,653,412	(77,447)	-	1,575,965
Net capital assets	\$ 3,072,583	\$ 312,562	\$ -	\$ 3,312,545

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 50,912
Police	7,002
Building inspections and related	1,280
Streets	50,777
Recreation programs	33,873
Senior citizen services	11,103
Total	<u>\$ 154,947</u>

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 5 - Capital Assets (Continued)

Component Units

The Fire Authority's capital asset activity was as follows:

	Balance January 1, 2007	Additions	Disposals and Adjustments	Balance December 31, 2007
Capital assets not being depreciated:				
Land	\$ 1,857,202	\$ -	\$ -	\$ 1,857,202
Construction in progress	-	-	-	-
Subtotal	1,857,202	-	-	1,857,202
Capital assets being depreciated:				
Building and building improvements	2,843,897	46,472	-	2,890,369
Land improvements	103,349	-	-	103,349
Vehicles	1,950,697	239,000	74,500	2,115,197
Office furnishings	42,524	-	-	42,524
Other tools and equipment	121,517	5,944	-	127,461
Subtotal	5,061,984	291,416	74,500	5,278,900
Accumulated depreciation:				
Building and building improvements	878,120	58,277	-	936,397
Land improvements	19,261	3,241	-	22,502
Vehicles	993,750	107,913	74,500	1,027,163
Office furnishings	27,924	5,739	-	33,663
Other tools and equipment	54,392	21,255	-	75,647
Subtotal	1,973,447	196,425	74,500	2,095,372
Net capital assets being depreciated	3,088,537	94,991	-	3,183,528
Net capital assets	<u>\$ 4,945,739</u>	<u>\$ 94,991</u>	<u>\$ -</u>	<u>\$ 5,040,730</u>

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 5 - Capital Assets (Continued)

The Library's capital asset activity was as follows:

	Balance - January 1, 2007	Additions	Deletions	Balance - December 31, 2007
Capital assets not being depreciated:				
Land	\$ 171,000	\$ -	\$ -	\$ 171,000
Construction in progress	46,000	-	46,000	-
Subtotal	217,000	-	46,000	171,000
Capital assets being depreciated:				
Buildings and improvements	3,716,654	79,760	-	3,796,414
Furniture and fixtures	863,828	41,920	4,507	901,241
Library materials	1,632,994	90,549	56,797	1,666,746
Subtotal	6,213,476	212,229	61,304	6,364,401
Accumulated depreciation:				
Buildings and improvements	650,326	94,910	-	745,236
Furniture and fixtures	817,524	31,560	4,507	844,577
Library materials	937,225	177,676	56,797	1,058,104
Subtotal	2,405,075	304,146	61,304	2,647,917
Net capital assets being depreciated	3,808,401	(91,917)	-	3,716,484
Net capital assets	\$ 4,025,401	\$ (91,917)	\$ 46,000	\$ 3,887,484

Note 6 - Transfers

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund providing resources	Fund receiving resources	Amount
Designated Fund	Seymour Lk. Cemetery Fund	\$ 4,242
Recreation Program Fund	Designated Fund	30,636
Walnut Hills Debt Svc. Fund	General Fund	23,290
Designated Fund	General Fund	422,356
Designated Fund	Recreation Program Fund	48,628
Total		<u>\$ 529,152</u>

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 6 - Transfers (continued)

The transfer from the Recreation Fund to the Designated Fund was made to set aside designated funds. During the year, the Designated Fund transferred back to the various funds amounts for designated expenditures made in the applicable funds.

The transfer from the Walnut Hills Fund to the General Fund was made to close the fund.

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

Government Activities – The Township has the following long term debt outstanding as of December 31, 2007:

1998 Library Building Unlimited Tax General Obligation bonds, bearing interest from 4.25 percent to 4.5 percent, and maturing in 2018	\$	2,820,000
Land purchase obligation, bearing interest at 5.0 percent, and maturing in 2009		212,667
Capital Lease		9,038
Employee-compensated absences		5,712
Total long-term debt	\$	<u>3,047,417</u>

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds	\$ 3,010,000	\$ -	\$ 190,000	\$ 2,820,000	\$ 200,000
Land purchase obligations	324,928	-	112,261	212,667	118,005
Capital lease	11,101	-	2,063	9,038	2,249
Total bonds and other obligations	3,346,029	-	304,324	3,041,705	320,254
Tax appeals	25,143	-	25,143	-	-
Compensated absences	5,204	5,712	5,204	5,712	5,712
Total	<u>\$ 3,376,376</u>	<u>\$ 5,712</u>	<u>\$ 334,671</u>	<u>\$ 3,047,417</u>	<u>\$ 325,966</u>

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2008	320,254	128,777	449,031
2009	307,113	113,870	420,983
2010	222,672	102,137	324,809
2011	231,666	92,346	324,012
2012	240,000	82,175	322,175
2013-2017	1,400,000	235,895	1,635,895
2018	320,000	7,200	327,200
Total	<u>\$ 3,041,705</u>	<u>\$ 762,400</u>	<u>\$ 3,804,105</u>

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 7 - Long-term Debt (Continued)

Component Unit - Long-term debt of the Fire Authority consists of the following:

Installment Purchase Obligations

Purchase of Engine 1, bearing interest at 3.295 percent and maturing in 2011, with \$43,878 due within one year.	\$	184,377
Purchase of Tanker 1, bearing interest ranging from 3.72 to 0.70 percent and maturing in 2012, with \$34,128 due within one year.		183,819
Purchase of Tahoe, bearing interest ranging from 3.72 to 0.70 percent and maturing in 2012, with \$4,593 due within one year.		24,738
Land Purchase, bearing interest of 4.069 percent and maturing in 2016, with \$136,950 due within one year.		1,232,550

Employee-compensated absences		<u>6,851</u>
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Total long-term debt	\$	<u>1,632,335</u>
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Annual debt service requirements to maturity for the above installment purchase obligation and other obligations are as follows:

	Principal	Interest	Total
2008	219,549	63,985	283,534
2009	222,434	55,527	277,961
2010	225,423	46,967	272,390
2011	228,514	38,302	266,816
2012	181,762	29,529	211,291
2013-2016	<u>547,802</u>	<u>55,725</u>	<u>603,527</u>
Total	<u>\$ 1,625,484</u>	<u>\$ 290,035</u>	<u>\$ 1,915,519</u>

Component Unit - Long-term debt of the Library consists of the following:

Accumulated employee benefits	\$	<u>18,528</u>
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Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 7 - Long-term Debt (Continued)

The Library building was funded through a bond issued by the Township. The bond is supported by a millage that is being paid by taxpayers of the Township to the Library. As noted in Note 13, a lease exists between the Township and the component unit Library. The lease payable recorded in the statement of net assets represents the outstanding liability related to the building that is currently being repaid by the Township through the special tax levy. Lease payments due on the Township's bond, which will be funded by the Township debt millage, are as follows:

Year	Amount
2008	\$ 319,695
2009	320,983
2010	321,845
2011	322,283
2012	322,175
2013	321,486
2014	325,121
2015	327,925
2016	329,988
2017	331,375
2018	327,200
Total lease payments	3,570,076
Less interest portion	(750,076)
Net present value	<u>\$ 2,820,000</u>

Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for workers compensation and employee medical claims and participates in the Michigan Municipal Risk Management Authority's State Pool program for claims relating to property loss, torts and errors, and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's (the "Authority") State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 9 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after 90 days of employment. As established by the Township board, the Township contributes 12 percent of employees' gross earnings. In accordance with these requirements, the Township contributed approximately \$9,000 during the current year. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately.

Note 10 - Municipal Employees Retirement System

The Township participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit plan that covers all nonunion and union employees that choose to participate by majority vote. Employees were given the option to remain with the defined contribution plan. 2 employees elected to do so. Any new employees would only be eligible for MERS. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the system for these full-time employees was established by the Township's board and requires a contribution from the employees of 2 percent of gross wages and a contribution from the employer for participating full-time Township employees of 9.15 percent and 6.95 percent of their gross wages for trustees.

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 10 - Municipal Employees Retirement System (Continued)

Annual Pension Cost

The Township began participation in the MERS plan in October 2005. For year ended December 31, 2007, the Charter Township's annual pension cost of \$140,831 for the plan was equal to the Charter Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as of December 31, 2006, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year plus a percentage based on an age-related scale to reflect merit longevity and promotional salary increases, and (c) 2.5 percent per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 29 years.

Trend Information

	Fiscal year ended December 31:	
	2006	2007
Annual pension cost	\$140,829	\$140,831
Percentage of APC contributed	100%	100%
Net pension obligation	-	-

	Actuarial valuation as of December 31:	
	2005	2006
Actuarial value of assets	\$2,811,444	\$3,230,911
Actuarial Accrued Liability (entry age)	3,448,506	3,840,811
Unfunded AAL	637,062	609,900
Funded ratio	82%	84%
Covered payroll	1,481,624	1,542,475
UAAL as a percentage of covered payroll	43.1%	39.54%

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 11 - Other Postemployment Benefits

The Township has elected to provide postemployment health benefits to all full-time employees with over 20 years of continuous service upon retirement through private insurers, in accordance with Township policy. Currently, two Township retirees are eligible. For the fiscal year ended December 31, 2007, the Township made payments for postemployment health benefit premiums of approximately \$17,000. The Township has transferred approximately \$192,000 to the Municipal Employees' Retirement System (MERS) Retiree Health Funding Vehicle. The investment balance as of December 31, 2007 held at MERS was \$200,662.

In addition, the Fire Authority offers retiree health care benefits. The cost amounted to approximately \$17,000 in the current year relating to two retirees.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended December 31, 2009.

Note 12 - Fund Balance Designations

The Township Board transfers amounts that it intends to hold for specific future uses into the Designated Fund. The fund balance of that fund is designated for the following purposes:

Municipal improvements	\$	53,763
Park development		14,944
Right of way improvements		36,378
Vantine payments		231,682
Park grant		1,120
Wrestling		4,300
State carryforward		341,869
Cemetery perpetual care		<u>22,022</u>
	\$	<u>706,078</u>

Charter Township of Brandon

Notes to Financial Statements December 31, 2007

Note 13 - Lease Receivable

The 1998 Library Building Unlimited Tax General Obligation bonds were issued by the Township in order to provide the necessary resources for the Brandon Township Public Library's building and equipment. The bond is supported by a millage that is being paid by the residents of the Township. There is a lease agreement between the Township and the component unit Library to transfer the millage resources to the Township to pay the debt payments. The lease receivable is recorded in the statement of net assets and represents the outstanding receivable related to the bonds that are currently being repaid by the Township through the special tax levy that is recorded by the Library.

Note 14 - Sale of Delinquent Property Taxes

The Township annually sells its delinquent real property taxes to the County, which then becomes responsible for collecting the taxes, and taking any uncollected tax parcels through the tax reversion process. The County purchases these taxes at 100% of face value, and in return the County is allowed to retain all interest and penalties it collects. The estimated present value of the future delinquent collections to the Township is less than the face value that has been received, because of the time value of money; however, the net present value to the County is greater than this amount, because of the statutory provision that allows the County to retain all penalties and interest. During the current year, the Township received \$460,104 from this sale. At the end of the tax reversion process (approximately 3 years), the County charges the Township back for any uncollected taxes. Historically, this amount has not been significant.

Required Supplemental Information

Charter Township of Brandon

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenue				
Property taxes	\$ 530,200	\$ 530,200	\$ 530,952	\$ 752
Licenses and permits	64,600	64,600	43,912	(20,688)
Federal grants	36,788	36,788	22,606	(14,182)
State-shared revenues and grants	1,010,820	1,010,820	990,684	(20,136)
Charges for services	5,500	5,500	4,186	(1,314)
Interest and rentals	75,000	75,000	120,356	45,356
Other	33,500	33,500	43,081	9,581
Total revenue	1,756,408	1,756,408	1,755,777	(631)
Expenditures - Current				
General government	1,269,302	1,275,450	1,184,157	91,293
Public safety	207,505	207,505	188,076	19,429
Public works	192,000	262,000	194,784	67,216
Health and welfare	140,919	140,919	135,785	5,134
Community and economic development	36,788	36,788	43,741	(6,953)
Recreation and culture	119,124	119,124	122,422	(3,298)
Capital outlay	1,000	304,805	303,805	1,000
Debt service	126,373	126,373	129,336	(2,963)
Total expenditures	2,093,011	2,472,964	2,302,106	170,858
Excess of Revenue Over (Under) Expenditures	(336,603)	(716,556)	(546,329)	170,227
Other Financing Sources (Uses)				
Transfers In	126,373	422,356	445,646	23,290
Transfers out	(14,770)	(193,293)	-	193,293
Total other financing uses	111,603	229,063	445,646	216,583
Net Change in Fund Balance	(225,000)	(487,493)	(100,683)	\$ (386,810)
Fund Balance - Beginning of year	487,493	487,493	487,493	
Fund Balance - End of year	\$ 262,493	\$ -	\$ 386,810	

Charter Township of Brandon

Required Supplemental Information Budgetary Comparison Schedule - Police Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenue				
Property taxes	\$ 1,774,180	\$ 1,774,180	\$ 1,854,273	\$ 80,093
License and permits	2,200	2,200	3,801	1,601
Fines and forfeitures	22,000	22,000	21,670	(330)
Interest and rentals	18,000	18,000	40,234	22,234
Other	20,000	20,000	21,925	1,925
Total revenue	1,836,380	1,836,380	1,941,903	105,523
Expenditures				
Public safety	1,709,519	1,709,519	1,732,446	(22,927)
Excess of Revenue Over (Under) Expenditures	126,861	126,861	209,457	82,596
Net Change in Fund Balance	126,861	126,861	209,457	\$ 82,596
Fund Balance (Deficit)- Beginning of year	(15,122)	(15,122)	(15,122)	
Fund Balance - End of year	\$ 111,739	\$ 111,739	\$ 194,335	

Charter Township of Brandon

Required Supplemental Information Budgetary Comparison Schedule - Recreation Program Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenue				
Recreation program fees	\$ 225,290	\$ 217,219	\$ 201,869	\$ (15,350)
Discount tickets	11,000	11,000	9,261	(1,739)
Charges to other local units	15,000	15,000	15,000	-
Park grant	3,000	15,000	15,000	-
Interest and rentals	8,800	8,800	6,110	(2,690)
Total revenue	263,090	267,019	247,240	(19,779)
Expenditures - Recreation and culture:				
Recreation programs	189,005	194,086	194,101	(15)
Discount tickets	11,000	11,000	9,274	1,726
Other	35,360	69,814	79,290	(9,476)
Capital outlay	9,000	9,000	-	9,000
Total expenditures	244,365	283,900	282,665	1,235
Excess of Revenue Over (Under) Expenditures	18,725	(16,881)	(35,425)	(18,544)
Other Financing Sources (Uses)				
Transfers in	3,000	48,628	48,628	-
Transfers out	(10,000)	(30,636)	(30,636)	-
Total other financing sources (uses)	(7,000)	17,992	17,992	-
Net Change in Fund Balance	11,725	1,111	(17,433)	\$ (18,544)
Fund Balance - Beginning of year	13,758	13,758	13,758	
Fund Balance (deficit) - End of year	\$ 25,483	\$ 14,869	\$ (3,675)	

Charter Township of Brandon

Required Supplemental Information Budgetary Comparison Schedule - Designated Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenue				
Metro authority revenue	\$ -	\$ -	\$ 11,158	\$ 11,158
Cell tower revenue	-	-	57,154	57,154
Contributions	-	-	16,000	16,000
Interest and rentals	-	1,152	52,490	51,338
Total revenue	-	1,152	136,802	135,650
Other Financing Sources (Uses)				
Transfers in	73,000	261,503	130,275	(131,228)
Transfers out	(132,973)	(574,865)	(574,865)	-
Total other financing sources (uses)	(59,973)	(313,362)	(444,590)	(131,228)
Net Change in Fund Balance	(59,973)	(312,210)	(307,788)	<u>\$ 4,422</u>
Fund Balance - Beginning of year	<u>1,013,866</u>	<u>1,013,866</u>	<u>1,013,866</u>	
Fund Balance - End of year	<u>\$ 953,893</u>	<u>\$ 701,656</u>	<u>\$ 706,078</u>	

Charter Township of Brandon

Note to Required Supplemental Information December 31, 2007

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The annual budget is prepared by the Township supervisor and approved by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles for the General Fund and all Special Revenue Funds, with the exception that operating transfers have been included in the "revenue" and/or "expenditures" categories, rather than as "other financing sources (uses)."

The Township follows procedures outlined below in establishing the budget reflected in the financial statements:

1. The budget process begins in August/September via a communication to all departments specifying what expenditures will be necessary during the subsequent fiscal year.
2. The Township supervisor, upon receipt of the information from the departments, reviews the amounts and sets up a preliminary budget.
3. The Township board meets and discusses the budget in various budget study sessions and makes adjustments as deemed necessary.
4. Following the numerous meetings and revisions, the budget is presented to the board for final approval.

The budget has been adopted on an activity basis; expenditures at this level in excess of budgeted amounts are a violation of Michigan law. Comparison of actual results of operations to the budgets of the General Fund and Major Special Revenue Funds as adopted by the Township board are included in the required supplemental information of the basic financial statements. A comparison of the actual results of operations to the nonmajor Special Revenue Funds' budgets as adopted by the Township is available at the Township Hall for inspection.

Charter Township of Brandon

Note to Required Supplemental Information December 31, 2007

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the following funds incurred expenditures in excess of budget:

	<u>Actual Expenditures</u>	<u>Final Budget</u>	<u>Excess Expenditures Over Budget</u>
General Fund:			
Community and economic development	\$ 43,741	\$ 36,788	\$ 6,953
Recreation and culture	122,422	119,124	3,298
Debt service	129,336	126,373	2,963
Police Fund:			
Public safety	1,732,446	1,709,519	22,927
Recreation Program Fund:			
Recreation programs	194,101	194,086	15
Other	79,290	69,814	9,476

Other Supplemental Information

Charter Township of Brandon

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds December 31, 2007

	Special Revenue Funds					Total
	Seymour Lake Cemetery	Zarieda Street	Lake Louise	Upper Bushman	Walnut Hills Debt Service Fund	
Assets						
Cash and investments	\$ 2,614	\$ 3,557	\$ 28,402	\$ 2,929	\$ -	\$ 37,502
Prepaid expenses	-	-	-	200	-	200
Total assets	<u>\$ 2,614</u>	<u>\$ 3,557</u>	<u>\$ 28,402</u>	<u>\$ 3,129</u>	<u>\$ -</u>	<u>\$ 37,702</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 2,500	\$ -	\$ -	\$ 2,500
Fund Balances						
Reserved for prepaid expenses	-	-	-	200	-	200
Unreserved	<u>2,614</u>	<u>3,557</u>	<u>25,902</u>	<u>2,929</u>	<u>-</u>	<u>35,002</u>
Total fund balances	<u>2,614</u>	<u>3,557</u>	<u>25,902</u>	<u>3,129</u>	<u>-</u>	<u>35,202</u>
Total liabilities and fund balances	<u>\$ 2,614</u>	<u>\$ 3,557</u>	<u>\$ 28,402</u>	<u>\$ 3,129</u>	<u>\$ -</u>	<u>\$ 37,702</u>

Charter Township of Brandon

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended December 31, 2007

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Seymour Lake Cemetery	Zarieda Street	Lake Louise	Upper Bushman	Walnut Hills Debt Service Fund	
Revenue						
Special assessments	\$ -	\$ 6,452	\$ 28,700	\$ 3,017	\$ 5,031	\$ 43,200
Charges for services	1,300	-	-	-	-	1,300
Interest and rentals	-	255	-	235	414	904
Total revenue	1,300	6,707	28,700	3,252	5,445	45,404
Expenditures						
Current:						
Public works:						
Septic system maintenance	-	5,610	-	-	-	5,610
Lake weed cutting	-	-	34,631	4,224	-	38,855
Cemetery	8,302	-	-	-	-	8,302
Total expenditures	8,302	5,610	34,631	4,224	-	52,767
Excess of Revenue Over (Under)						
Expenditures	(7,002)	1,097	(5,931)	(972)	5,445	(7,363)
Other Financing Sources (Uses)						
Transfers out	-	-	-	-	(23,290)	(23,290)
Transfers in	4,242	-	-	-	-	4,242
Total other financing sources (uses)	4,242	-	-	-	(23,290)	(19,048)
Net Change in Fund Balances	(2,760)	1,097	(5,931)	(972)	(17,845)	(26,411)
Fund Balances						
Beginning of year	5,374	2,460	31,833	4,101	17,845	61,613
End of year	<u>\$ 2,614</u>	<u>\$ 3,557</u>	<u>\$ 25,902</u>	<u>\$ 3,129</u>	<u>\$ -</u>	<u>\$ 35,202</u>

Charter Township of Brandon

Other Supplemental Information Combining Statement of Agency Fund Assets and Liabilities December 31, 2007

	Cable Commission	Tax Collection	Payroll	Escrow	Total
Assets					
Cash and investments	\$ 88,696	\$ 3,459,252	\$ 1,846	\$ 47,492	\$ 3,597,286
Due from other governments	-	-	540	-	540
Total assets	<u>\$ 88,696</u>	<u>\$ 3,459,252</u>	<u>\$ 2,386</u>	<u>\$ 47,492</u>	<u>\$ 3,597,826</u>
Liabilities					
Due to other governmental units	\$ 88,696	\$ 3,459,252	\$ -	\$ -	\$ 3,547,948
Cash bonds and deposits	-	-	-	47,492	47,492
Accrued liabilities	-	-	2,386	-	2,386
Total liabilities	<u>\$ 88,696</u>	<u>\$ 3,459,252</u>	<u>\$ 2,386</u>	<u>\$ 47,492</u>	<u>\$ 3,597,826</u>

Charter Township of Brandon

Component Unit - Fire Authority Statement of Net Assets December 31, 2007

	Fire department					
	Modified Accrual Basis					
	Fire Operating Fund	Fire Equipment and Housing Fund	Ambulance	Public Contributi ons	Accrual Adjustments	Full Accrual
Assets						
Cash and investments	\$ 897,998	\$ 799,141	\$ 523,784	\$ 10,892	\$ -	\$ 2,231,815
Receivables - Property taxes	1,560,589	280,202	-	-	-	1,840,791
Prepaid expenses	55,879	146	-	-	-	56,025
Capital assets	-	-	-	-	5,040,730	5,040,730
Total assets	<u>\$ 2,514,466</u>	<u>\$ 1,079,489</u>	<u>\$ 523,784</u>	<u>\$ 10,892</u>	5,040,730	<u>\$ 9,169,361</u>
Liabilities						
Accounts payable	\$ 21,874	\$ 7,488	\$ 2,734	\$ 1,256	-	\$ 33,352
Accrued liabilities	33,018	-	-	-	8,800	41,818
Deferred revenue	1,778,493	319,323	-	-	-	2,097,816
Long-term debt:						
Due within one year	-	-	-	-	226,400	226,400
Due in more than one year	-	-	-	-	1,405,935	1,405,935
Total liabilities	1,833,385	326,811	2,734	1,256	1,641,135	3,805,321
Fund Balance						
Reserved for prepaid expenses	55,879	146	-	-	(56,025)	-
Unreserved - Undesignated	<u>625,202</u>	<u>752,532</u>	<u>521,050</u>	<u>9,636</u>	<u>(1,908,420)</u>	-
Total fund balance	<u>681,081</u>	<u>752,678</u>	<u>521,050</u>	<u>9,636</u>	<u>(1,964,445)</u>	-
Total liabilities and fund balance	<u>\$ 2,514,466</u>	<u>\$ 1,079,489</u>	<u>\$ 523,784</u>	<u>\$ 10,892</u>		
Net Assets						
Investment in capital assets -						
Net of related debt					3,415,246	3,415,246
Unrestricted					<u>1,948,794</u>	<u>1,948,794</u>
Total net assets					<u>\$ -</u>	<u>\$ 5,364,040</u>

Charter Township of Brandon

Component Unit - Fire Authority Statement of Activities Year Ended December 31, 2007

	Modified Accrual Basis					
	Fire Operating Fund	Fire Equipment and Housing Fund	Ambulance	Public Contributions	Accrual Adjustments	Full Accrual
Revenue						
Property taxes	\$ 1,721,009	\$ 569,876	\$ -	\$ -	\$ 26,500	\$ 2,317,385
Interest	65,050	55,851	24,313	475	-	145,689
Charges and fees	-	-	207,143	-	-	207,143
Other	4,515	-	-	14,194	-	18,709
Total revenue	1,790,574	625,727	231,456	14,669	26,500	2,688,926
Expenditures						
Salaries and wages	1,113,513	-	22,886	-	(680)	1,135,719
Fringe benefits	413,363	-	-	-	-	413,363
Insurance	47,540	-	-	-	-	47,540
Utilities	36,206	-	-	-	-	36,206
Repair and maintenance	8,189	166,229	8,696	-	-	178,114
Training	10,589	-	17,874	-	-	28,463
Capital outlay	-	177,416	86,194	-	(263,610)	-
Interest	-	72,347	-	-	(11,831)	60,516
Principal	-	216,760	-	-	(216,760)	-
Depreciation	-	-	-	-	196,425	196,425
Other expenditures	81,758	-	38,418	15,330	-	135,506
Total expenditures	1,711,158	632,752	174,068	15,330	(296,456)	2,231,852
Excess of Revenue Over (Under) Expenditures	79,416	(7,025)	57,388	(661)	(269,956)	457,074
Other Financing Sources (uses)						
Gain (loss) on disposal of capital assets	-	-	-	-	27,806	27,806
Net Change in Fund Balances	79,416	(7,025)	57,388	(661)	(242,150)	484,880
Fund Balances						
Beginning of year	601,665	759,703	463,662	10,297	3,048,833	4,884,160
End of year	<u>\$ 681,081</u>	<u>\$ 752,678</u>	<u>\$ 521,050</u>	<u>\$ 9,636</u>	<u>\$ 2,806,683</u>	<u>\$ 5,369,040</u>

Charter Township of Brandon

Component Unit - Library Statement of Net Assets December 31, 2007

	Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
Assets			
Cash and cash equivalents (Note 3)	\$ 138,817	\$ -	\$ 138,817
Investments (Note 3)	455	-	455
Prepaid expenses	4,222	-	4,222
Property taxes receivable (Note 1)	980,244	-	980,244
Capital assets not depreciated (Note 4)	-	171,000	171,000
Capital assets depreciated (Note 4)	-	3,716,484	3,716,484
Total assets	<u><u>\$ 1,123,738</u></u>	<u><u>\$ 3,887,484</u></u>	<u><u>\$ 5,011,222</u></u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 14,992	\$ -	\$ 14,992
Deferred revenue (Note 1)	980,244	-	980,244
Accrued salaries and wages	20,873	-	20,873
Lease payable (Note 9):			
Due within one year	-	200,000	200,000
Due in more than one year	-	2,620,000	2,620,000
Long-term debt and other liabilities (Note 5):			
Due within one year	-	8,019	8,019
Due in more than one year	-	10,509	10,509
Total liabilities	1,016,109	2,838,528	3,854,637
Fund Balance - Unreserved and undesignated	<u>107,629</u>	<u>(107,629)</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 1,123,738</u></u>		
Net Assets			
Invested in capital assets - Net of related debt		1,067,484	1,067,484
Unrestricted		<u>89,101</u>	<u>89,101</u>
Total net assets		<u><u>\$ -</u></u>	<u><u>\$ 1,156,585</u></u>

Charter Township of Brandon

Component Unit - Library Statement of Activities Year Ended December 31, 2007

	Revenues and Expenditures - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue			
Property tax	\$ 941,776	\$ 327,511	\$ 1,269,287
Penal fines	22,249	-	22,249
State aid	17,217	-	17,217
Charges for services	16,028	-	16,028
Library fines and fees	12,329	-	12,329
Interest income	22,236	-	22,236
Other income:			
Contributions and donations	13,288	-	13,288
Art community events	9,826	-	9,826
Sale of capital assets	3,900	-	3,900
Miscellaneous	2,095	-	2,095
Total revenue	1,060,944	327,511	1,388,455
Expenditures			
Staff salaries and wages	561,387	468	561,855
Fringe benefits	108,802	-	108,802
Supplies	29,191	-	29,191
Cooperative expenses	32,252	-	32,252
Professional and contractual services	47,236	-	47,236
Professional development	9,693	-	9,693
Property and liability insurance	24,302	-	24,302
Community relations	30,269	-	30,269
Public utilities	51,256	-	51,256
Repairs and maintenance	25,031	-	25,031
Equipment rental	13,868	-	13,868
Administrative expenses	1,136	-	1,136
Capital outlay/Depreciation expense:			
Building, furnishings, and equipment	68,380	50,790	119,170
Library collection materials	88,583	87,127	175,710
Lease interest expense	-	127,983	127,983
Total expenditures	1,091,386	266,368	1,357,754
Change in Fund Balance/Net Assets	(30,442)	61,143	30,701
Fund Equity/Net Assets			
Beginning of year	138,071	987,813	1,125,884
End of year	<u>\$ 107,629</u>	<u>\$ 1,048,956</u>	<u>\$ 1,156,585</u>

Charter Township of Brandon

**Report to the Board Members
December 31, 2007**



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To the Board Members
Charter Township of Brandon

We have recently completed our audit of the basic financial statements of the Charter Township of Brandon (Brandon Township) for the year ended December 31, 2007. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact Brandon Township:

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Results of the Audit	3-5
Summary of Unrecorded Possible Adjustments	6
Other Recommendations	8
Informational – Legislative matters, etc.	10

We are grateful for the opportunity to be of service to the Charter Township of Brandon. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

June 17, 2008

Report on Internal Control

June 17, 2008

To the Board Members
Charter Township of Brandon

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Brandon Township's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards are to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this **Report on Internal Control** will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Charter Township of Brandon as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Brandon Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Brandon Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and material weaknesses.

To the Board Members
Charter Township of Brandon

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

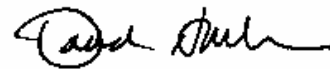
Accrual Adjustments

During the audit, we generally provide significant assistance in identifying and posting accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records (property tax and other receivables, capital assets, long term debt, employee compensated absences, special assessment revenue recognition, etc.). We are pleased to assist in this process – our auditors have expertise in accrual adjustments, and can generally assist in a very cost-efficient manner. However, we bring this to your attention since it meets the above definition of a matter to be communicated, and to allow you to evaluate whether we in fact are the most cost-effective method of assisting in closing the books (as opposed to a second service provider, etc.).

This communication is intended solely for the information and use of management, the board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Tadd Harburn", written in a cursive style.

Tadd A. Harburn, CPA

June 17, 2008

To the Board Members
Charter Township of Brandon
Ortonville, Michigan

We have audited the financial statements of Charter Township of Brandon for the year ended December 31, 2007, and have issued our report thereon dated June 17, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 25, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Charter Township of Brandon. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 7, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charter Township of Brandon are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007.

To the Board Members
Charter Township of Brandon

We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the useful lives of capital assets.

Useful lives of capital assets are based upon management's estimate of their life. We evaluated the key factors and assumptions used to develop the estimate of useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management: to record accruals for property tax and other receivables, capital assets and long term debt

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 17, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board Members
Charter Township of Brandon

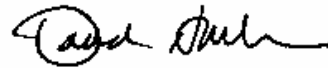
Other Audit Findings or Issues

In the normal course of our professional association with the organization we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the organization's auditors.

This information is intended solely for the use of Members of the Board and management of Charter Township of Brandon and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Tadd Harburn", with a stylized flourish at the end.

Tadd Harburn, CPA

Charter Township of Brandon

Summary of Unrecorded Possible Adjustments

Opinion Unit Aggregate Discretely Presented Component Units
Y/E: 12/31/2007

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

Increases (Decreases)

Ref. #	Description of Misstatement	Assets	Liabilities	Net Assets	Revenue	Expenses
Known Misstatements:						
AI	To record accrued interest on CDs	\$ 6,444.00			\$ 6,444	

Other Recommendations

Classification of Designated Revenue

The board has designated specific revenue sources to be designated and maintained in a separate fund when received such as cell tower revenue and Metro Authority revenue. When the revenue was received during the year it was recorded to an account labeled transfers in and combined with actual transfers from other funds. Revenue should be classified in accordance with the State of Michigan chart of accounts. We recommend that the Township create two new revenue accounts in the designated fund and record the aforementioned revenue in the applicable account.

Recording of Payroll

During the audit it was noted that biweekly payroll transactions are not being recorded on a timely basis. The payroll for the period ending May 9, 2007 was not posted until June 21, 2007 and the payroll transactions for January 2008 were not posted until April 3, 2008. To ensure that the board is provided with accurate reports we recommend that payroll transactions are posted in a timely manner.

Informational

FUND BALANCE DEFICIT

At the end of the year, the recreation program had a fund balance deficit of \$3,674. We want to remind the Township that a formal plan to eliminate the deficit will need to be prepared and submitted to the Michigan Department of Treasury. We would be happy to assist you with this if you would like.

MUNICIPAL FINANCE ACT REVISIONS - REMINDER

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township's year end (December 31, 2007) and is good for one year thereafter. The Township should consider the need to file a qualifying statement for each of its component units.

RETIREE HEALTH CARE BENEFITS - REMINDER

As mentioned last year, the Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions* which will require the Township to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The Township currently pays for premiums on a pay-as-you-go basis; however, during the year the Township transferred approximately \$194,000 to MERS Health Care Vehicle.

The new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any underfunding must be reported as a liability on the government wide statement of net assets. This valuation will need to be performed by an actuary only if the total participants exceed 100. Participants are defined as employees in active service, terminated employees not yet receiving benefits, plus retirees and beneficiaries currently receiving benefits. Plans with fewer than 100 participants may either hire an actuary, or perform the calculation themselves (at least every three years).

This statement is effective for the fiscal year beginning January 1, 2009. Remember that planning to make the annual recommended contribution generally requires up to three to six months for an actuarial valuation plus six months lead time to work the numbers into the budget. Therefore, we recommend that you begin the actuarial valuation at least one year prior to the above dates. The GASB statement has provided substantial incentive to fund the obligation in accordance with the annual recommended contribution. In addition to the "interperiod equity" issue of paying for a service as you use it, the GASB has directed that lower rates of return be used for evaluating the annual recommended contribution in situations where the recommended contribution is not being funded. This will significantly increase the calculation of the following year's contribution. Therefore, funding the contribution will actually reduce your long run cost.